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SUBJECT: EMBASSY MINSK BI-WEEKLY POL/ECON REPORT - May 16, 2008

¶1. The following are brief items of interest compiled by Embassy Minsk.

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Civil Society

¶12. Belarusian Helsinki Committee Elects New Chairman

Thirty-six regional and Minsk city members of the Belarusian Helsinki Committee (BHC) elected Oleg Gulak as Chairman at its annual convention May 11. Gulak committed to making no "drastic changes" in the BHC's activities and said that monitoring the September 2008 parliamentary elections is at top of the committee's agenda. He noted that the organization would continue to focus on human rights monitoring as well as analytical and educational work and training.

¶13. Opposition Youth Banned From Traveling Abroad

Opposition youth and European Humanities University freshman Oleg Grubich was banned from leaving Belarus May 10. Border guards removed the activist from a Vilnius-bound train on the grounds that

Grubich allegedly dodged the military draft. The activist expressed concern that BKGB harassment could hinder his study and research. In a separate incident, border guards briefly detained Malady Front (MF) leader Artur Finkevich upon his arrival from Vilnius May 14, informing him that he had been banned from traveling abroad. Finkevich linked the ban with BKGB attempts to hinder international MF activities and cooperation with foreign groups.

14. Outlawed Small Business Association Registered in Ukraine

Leader of the Belarusian Small Business Association For Free Development of Entrepreneurship, Victor Gorbachyov, announced on May 7 that the NGO obtained registration in Ukraine. Gorbachyov stated that it was "a shame" the NGO had to seek registration abroad and that the GOB was reluctant "to establish contacts with dissident entrepreneurs in Belarus." He also noted the importance of expanding ties with Ukrainian small business groups and furthering economic reforms in Belarus.

15. Prosecutor Questions Belsat Coordinator

On May 13, the Minsk city prosecutor's office questioned Eduard Melnikov, a Belarusian Association of Journalists board member and Polish-based Belsat TV channel coordinator. The prosecutor interrogated Melnikov about his work for Belsat and his possible connection to a group of cartoonists charged with slandering Lukashenka in 2005, which Melnikov denied. Melnikov linked his questioning to a BKGB search of his apartment on March 27.

16. Opposition Leader Jailed and Youth Briefly Detained

A Minsk district court sentenced European coalition leader Nikolay Statkevich to 10 days in jail over participation in a May Day rally

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on May 1. On the same day, the police also briefly detained more than 20 youth opposition activists. While they were released without charge after two hours, prominent MF leaders Zmitser Dashkevich, Artur Finkevich, Yevgeniy Afnagel, Zmitser Fedoruk, and Pavel Yuhnevich were charged with participation in an unsanctioned demonstration and will stand trial upon receipt of a summons. Fedaruk asserted they will likely go to trial shortly before another protest to prevent their participation.

17. Opposition Activist Fined

On May 14, a Vitebsk district court fined local opposition activist Sergey Kovalenko 1,050,000 rubles (USD 490) for carrying a white-red-white flag in downtown Vitebsk on April 26. Kovalenko was charged with violating street demonstration regulations. Kovalenko was detained on April 26 at the Chernobyl march and held for two days; his trial was delayed until May 14 in order to accommodate his request for a Belarusian-Russian interpreter to be present at the hearing.

18. Activists Prohibited from Marking Disappearance Anniversary

Minsk city authorities banned a commemorative event planned for May 7 in downtown Minsk to mark the 9th anniversary of the disappearance of former Interior Minister and opposition leader Yuri Zakharenko. Brest city authorities refused permission for a similar rally, saying that the central street intended for the demonstration was closed for repairs. Civil society activists in both Minsk and Brest appealed the refusals unsuccessfully.

19. Dissident Author Jailed

On May 15, a district court in Staraya Dorogi sentenced freelance journalist, publisher, and writer Viktor Hoursik to 15 days in jail. The administrative charges against Hoursik stemmed from his participation on April 19 in a commemorative ceremony unveiling a cross in honor of local residents massacred by pro-Soviet partisans in 1943. Hoursik also wrote a book describing the tragedy. The local authorities removed the cross from the site on April 23.

110. Belarus Continues Selective Privatization

An unnamed official from the Belarus State Property Committee told Prime-Tass news service on May 2 that the GOB plans to sell state shares of 74 joint-stock companies and privatize eight state-owned businesses in 2008. The plan is consistent with the GOB's selective approach to privatization, which Lukashenko highlighted in his interview with Reuters on May 12. Moreover, he issued a decree on April 14 that allows gradual removal of all limitations on ownership of shares by 2011, except for one hundred "strategically important" joint-stock companies, primarily in petrochemical and food industries, which will remain majority-owned by the GOB.

111. Belarus Reports 10.4 Percent GDP Growth

According to a report by the Statistics Ministry, as of May 1, the country's GDP grew by 10.4 percent in 2008. Belarus ranked second among the seven countries of the 12-member CIS that posted their first-quarter GDP data. Belarus' 10.4 percent GDP growth was surpassed only by Azerbaijan. Belarus led the CIS in industrial growth -- 13.6 percent -- and ranked second in growth of retail trade -- 20.8 percent. Ukraine topped the race with 26.7 percent.

112. Belarus Faces Rising Inflation

The Statistics Ministry announced on May 12 that the country's inflation as of May 1, 2008 was 5.3 percent, as compared with 2.8 percent during the same period in 2007. According to official data, which is generally believed to be distorted, between January and April food prices increased by 5.1 percent, consumer goods 2.1 percent, and consumer services 10 percent. In Minsk, prices jumped 18.2, 6.3, and 14.8 percent respectively.

113. Customs Agency Forces Individuals Out Of "Shuttle" Business

Sergey Borisyuk, the Deputy Chairman of the State Customs Committee, said in a news conference on May 13 that beginning on May 15, customs officers will monitor the frequency of foreign travel and the number of goods brought by individuals into Belarus. Current regulations permit each individual entering Belarus to import tax-free up to 5 kilos of food products and either 35 kilos or 1,000 euros worth of consumer goods at a time. Many Belarusians residing in border areas have built successful businesses by shuttling competitively-priced consumer products into the Belarusian market. New regulations will restrict such actions by frequent travelers and

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could render such businesses unprofitable. Nevertheless, implementation of the new regulations will remain at the discretion of customs officers.

International Trade

114. Belarus' Commodity Trade Deficit Down in Jan-March

According to the Statistics Ministry report issued May 12, the country's deficit in commodity trade between January and March 2008 reached USD 750.1 million, as compared with USD 856.1 million in the first quarter of 2007. The country's year-to-date exports rose 69 percent to USD 8.02 billion and imports grew by 56.5 percent to USD 8.77 billion. Belarus' first quarter trade deficit with CIS countries was USD 2.7 billion, versus USD 1.2 billion in the same period of 2007. The biggest deficit of USD 3.14 billion was in trade with Russia, and the largest surplus of USD 308.2 million was in trade with Ukraine. The country's trade with non-CIS countries in the first quarter registered a surplus of USD 1.94 billion.

115. Quote of the Week

Aleksandr Lukashenko to Reuters, speaking about running in 2011 presidential elections:

"If the situation in the country and in my life remains as is, I, of course, will be running for another term...As long as I am a healthy person, the people [of Belarus] do not criticize me that much, and the West has begun to understand [me]. It is possible [I will be running]. Hope for the worst."

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Cloud